

Report
of the
Examination of
MEMBERS Life Insurance Company
Madison, Wisconsin
As of December 31, 2000

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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September 15, 2002

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Commissioners:

In accordance with your instructions, a compliance examination has been made of
the affairs and financial condition of:

MEMBERS LIFE INSURANCE COMPANY
Madison, Wisconsin

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of MEMBERS Life Insurance Company ("MLIC," or "the company") was conducted in 1997 as of December 31, 1995. The current examination covered the intervening period ending December 31, 2000, and included a review of such 2001 transactions as deemed necessary to complete the examination.

The examination consisted of a review of all major phases of the company's operations, and included the following areas:

- History
- Management and Control
- Corporate Records
- Conflict of Interest
- Fidelity Bonds and Other Insurance

Employees' Welfare and Pension Plans
Territory and Plan of Operations
Affiliated Companies
Growth of Company
Reinsurance
Financial Statements
Accounts and Records
Data Processing

Emphasis was placed on the audit of those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The section of this report titled "Summary of Examination Results" contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination.

Independent Actuary's Review

An independent actuary was engaged under a contract with the Office of the Commissioner of Insurance. The actuary reviewed the adequacy of aggregate life and accident and health reserves, dividends to policyholders, cash flow testing, deferred and uncollected premiums for life insurance, due and uncollected premiums for health insurance, and in force testing. The results of the actuary's review were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's findings.

II. HISTORY AND PLAN OF OPERATION

MEMBERS Life Insurance Company is a Wisconsin domiciled stock life and health insurer. The company was organized in 1976 under the name CUDIS Insurance Society, Inc., and was originally established to be a direct writer of credit disability insurance to credit union members. In 1989 the name of the company was changed to CUMIS Life Insurance, Inc. (CUMIS Life (US)). In 1992, League Life Insurance Company, a Michigan domiciled insurer was merged with CUMIS Life Insurance, Inc. Effective December 31, 1992, a Texas domiciled insurer, Members Life Insurance Company (MLIC Texas) was merged into CUMIS Life Insurance, Inc. The name of the company was changed to MEMBERS Life Insurance Company, the name presently used by the company.

All of the outstanding capital stock of the company is owned by CUNA Mutual Investment Corporation (CMIC), a non-operating holding company, which in turn is a wholly owned subsidiary of CUNA Mutual Insurance Society (CUNA Mutual). CUNA Mutual is a Wisconsin domiciled mutual life and health insurer that provides insurance and financial products and services to credit unions and credit union members.

The company's primary business is ordinary and group life, and individual annuity reinsurance that it assumes from the affiliated insurer CUNA Mutual Life Insurance Company (CMLIC). CMLIC is an Iowa domiciled mutual life insurer formerly known as Century Life of America. Effective July 1, 1990, CUNA Mutual and CMLIC entered into an agreement of permanent affiliation, under which CUNA Mutual and CMLIC have common executive management and maintain integrated business functions and operations. CMLIC serves as the primary direct writer of individual life insurance and individual annuities that are marketed to individual credit union members through credit unions that are CUNA Mutual policyholders.

Pursuant to the affiliation agreement of CUNA Mutual and CMLIC, the two companies transact affiliated profit sharing on their respective direct business. CUNA Mutual cedes to CMLIC 50% of its individual and group life and AD&D business written on a direct mail basis to credit union members. CMLIC cedes to MEMBERS Life Insurance Company 50% of its non-variable individual life and annuity business written through its agency force.

MEMBERS Life Insurance Company does not have any employees, and all of its operations are performed by affiliates pursuant to numerous intercompany services agreements. Further examination discussion of the company's holding company affiliates and intercompany transactions is included in the sections of this report captioned "Affiliated Companies" and "Reinsurance."

The company maintains insurance authorization in Washington D.C and in all of the states except the State of New York. In 2000, the company wrote direct premiums in the following jurisdictions:

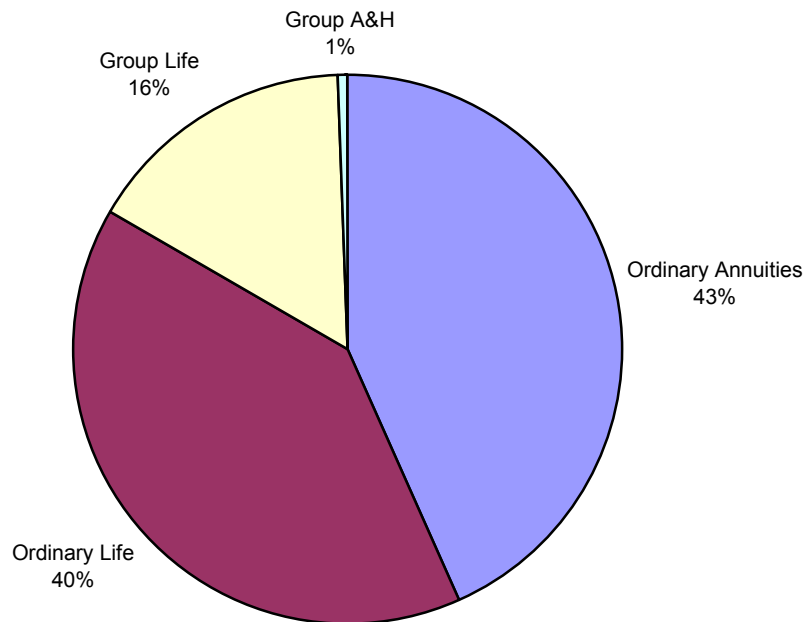
Michigan	\$6,611,261	66.2%
Texas	2,029,411	20.3%
California	532,648	5.3%
Florida	148,557	1.5%
Minnesota	71,353	0.7%
All others	<u>586,957</u>	<u>5.9%</u>
	<u>\$9,980,187</u>	<u>100%</u>

Most of the company's written premiums are derived from its assumption of individual life and individual annuity business ceded by CMLIC. A block of ordinary life business that was acquired when the company merged with League Life Insurance Company and Members Life Insurance Company of Texas is in runoff.

The following chart is a summary of the net insurance premiums written by the company in 2000. The growth of the company is discussed in the Financial Data section of this report.

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Ordinary Annuities	\$ 0	\$14,746,977	\$ 0	\$14,746,977
Ordinary life	4,156,382	9,461,045	167	13,617,260
Group Life	5,585,731	0	88,106	5,497,625
Group Accident and health	<u>238,074</u>	<u>0</u>	<u>11,358</u>	<u>180,272</u>
Total All Lines	<u>\$9,980,187</u>	<u>\$24,208,022</u>	<u>\$ 99,631</u>	<u>\$34,088,578</u>

2000 MEMBERS Life NPW



III. MANAGEMENT AND CONTROL

Board of Directors

The company's board of directors consists of fourteen members. Effective May 2001, the board approved a restructure of the directors' classes and terms of office. Prior to the restructure, the directors were organized into three classes, each class serving a term of six-year duration. Upon the 2001 restructure, each director was newly appointed to one of two classes of directors, each class serving a term that is four-years in duration. One class of directors is elected by company policyholders at each biennial general election of directors.

Each member of the MLIC board of directors also serves as a director on the boards of CUNA Mutual, CUMIS Insurance Society, Inc. (CUMIS), and CUNA Mutual Life Insurance Company, and the boards of directors of the four insurers have common membership. Each director currently receives a minimum annual base fee of \$46,000 as compensation for serving on the CUNA Mutual group boards of directors. Cash payments for directors' fees and expenses are disbursed by CUNA Mutual, and a portion of the total directors' expense is allocated to various companies in the CUNA Mutual group including MLIC through affiliated services agreements.

Currently the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Robert W. Bream Palantine, IL.	President/CEO United Airlines Employees Credit Union	2002
James L. Bryan Dallas, TX.	President, Texans Credit Union	2002
Loretta M. Burd Columbus, IN.	CEO, Centra Credit Union	2002
Rudolf J. Hanley Orange, CA.	CEO, Orange County Teachers Federal Credit Union	2002
Omer K. Reed Scottsdale, AZ.	President, Pentegra, Ltd.	2002
Farouk Da Goun Wang Mililani, Hawaii	Director, Buildings and Grounds Management, University of Hawaii	2002

Larry T. Wilson Raleigh, NC.	President/CEO, Coastal Federal Credit Union	2002
James C. Barbre Acworth, Ga.	Chairman, Georgia Corp. Central Credit Union	2004
Ralph B. Canterbury Ormand Beach, FL	Retired CEO Orange County Teachers Federal Credit Union	2004
Jerald R. Hinrichs New Canaan, CN.	President, Hinricks & Associates	2004
Michael B. Kitchen Madison, WI.	President/CEO, CUNA Mutual Group	2004
Brian L. McDonnell Oak Hills, VA.	CEO, Navy Federal Credit Union	2004
Clark A. Peppers Aurora, CO.	CEO, Denver Public Schools Credit Union	2004
Neil A. Springer Wheaton, IL.	Managing Director, Springer Souder & Associates, L.L.C.	2004

Officers of the Company

The officers of MLIC are appointed by the board of directors at the directors' annual meeting. Each officer of MLIC also holds the corresponding office in CUNA Mutual, CUMIS, and CMLIC, and the four insurers have a shared corps of senior executive officers. The officers serving at the time of this examination are as follows:

Name	Office	2000 Compensation *
James L. Bryan	Chairman	\$ 33,071
Michael B. Kitchen	President, Chief Executive Officer	706,532
Faye A. Patzner	Secretary and Senior Vice President	63,256
Jeffrey D. Holley	Treasurer and Senior Vice President	304,615
Irene R. Steinl	Actuary	58,548

* Includes total compensation paid for all four insurers.

Committees of the Board

The company's by-laws allow for the formation of certain committees by the board of directors. The committees at the time of the examination are listed below:

Executive Committee

Neil A. Springer, Chair
James L. Bryan, Sr.
Loretta M. Burd
Michael B. Kitchen
Bryan L. McDonnell
Larry T. Wilson

Audit Committee

Jerald R. Hinrichs, Chair
James C. Barbre
Robert W. Bream
Loretta M. Burd
Omar K. Reed

Governance Committee

Clark A. Peppers
Brian L. McDonnell
Michael B. Kitchen
Ralph B. Canterbury
Farouk Da Goun Wang
Faye A. Patzner
Rudolf J. Hanley
Larry T. Wilson
Donna C. Blankenheim

IV. AFFILIATED COMPANIES

MEMBERS Life Insurance Company is a member of a holding company system. The organizational chart below depicts the relationships among the affiliates in the group. A brief description of the significant affiliates of the company follows the organizational chart.

CUNA Mutual Insurance Society Organizational Chart As of December 31, 2000

CUNA Mutual Insurance Society (1)
CUNA Mutual Investment Corporation
CUMIS Insurance Society, Inc.
MEMBERS Life Insurance Company
CMG Mortgage Insurance Group (2)
MEMBERS Capital Advisors, Inc. (3)
Stewart Associates Incorporated
MEMBERS Development Company LLC (4)
CUNA Mutual Insurance Agency, Inc.
CUNA Mutual General Agency of Texas, Inc.
CUNA Brokerage Services, Inc.
CUNA Mutual Mortgage Corporation
The CUMIS Group, LTD. (Canada)
CUMIS Life Insurance Company (Canada)
CUMIS General Insurance Company (Canada)
Canadian Northern Shield Insurance Company (Canada)
CUNA Mutual Australia Holding Company PTY LTD. (Australia)
CUNA Mutual Life Australia, LTD. (Australia)
finsure.australia LTD (Australia) (5)

- (1) CUNA Mutual Insurance Society and CUNA Mutual Life Insurance Company (CMLIC) are affiliated pursuant to a mutual agreement to have common management and shared operating functions. The two companies are independent with regard to their respective ownership interests, as each is a mutual insurer owned by its respective policyholders.
- (2) Comprised of three mortgage guaranty insurers, each of which is a joint venture that is 50% owned by CUNA Mutual Investment Corporation and 50% owned by PMI Mortgage Insurance Co.
- (3) 50% owned by CUNA Mutual Investment Corporation and 50% owned by CUNA Mutual Life Insurance Company.
- (4) 49% owned by CUNA Mutual Investment Corporation and 51% owned by various credit unions and credit union organizations.
- (5) 50% owned by CUNA Mutual Australia Holding Company PTY LTD.

CUNA Mutual Insurance Society (CUNA Mutual)

CUNA Mutual is a Wisconsin domiciled mutual life insurance company that was organized in 1935. CUNA Mutual and its affiliates provide group and individual life insurance, accident and health insurance, property and casualty insurance, and other financial products and services to the credit union industry, including credit unions, credit union service organizations, and credit union members. CUNA Mutual business activities are conducted in all states, the District of Columbia, and in countries and political jurisdictions throughout the world.

As of December 31, 2000, CUNA Mutual's statutory financial statements reported total admitted assets of \$2,284,860,288, total liabilities of \$1,710,288,308, and capital and surplus of \$574,571,980. Operations for 2000 reported net income of \$203,500,341.

CUNA Mutual Life Insurance Company (CMLIC)

CMLIC is an Iowa domiciled mutual life insurer that offers a full range of variable and universal life and health insurance products. CUNA Mutual and CMLIC entered into an Agreement of Permanent Affiliation effective July 1, 1990. Under the agreement, the companies have common management, and share functions such as legal, investment, and product administration services. CMLIC formerly was known as Century Life of America; its name was changed to CUNA Mutual Life Insurance Company effective December 31, 1996.

As of December 31, 2000, CMLIC's statutory financial statement reported total admitted assets of \$5.1 billion, total liabilities of \$4.9 billion, and capital and surplus of \$219 million. Operations for 2000 reported net income of \$6 million.

CUNA Mutual Investment Corporation (CMIC)

CMIC is a Wisconsin domiciled holding company that is a wholly owned subsidiary of CUNA Mutual Insurance Society. CMIC serves as a non-operating holding company for each of the CUNA Mutual operating companies domiciled in the United States.

As of December 31, 2000, CMIC's statutory basis audited financial statements reported total assets of \$426 million, total liabilities of \$26 million, and total stockholders' equity of \$400 million. In 2000, CMIC reported net income of \$67 million.

CUMIS Insurance Society, Inc. (CUMIS)

CUMIS is a Wisconsin domiciled property and casualty insurance company wholly owned by CMIC. CUMIS primarily markets commercial property and casualty insurance products to credit unions, including credit accident and health, workers compensation, and fidelity insurance coverages.

As of December 31, 2000, CUMIS' statutory financial statements reported total admitted assets of \$709,352,184, total liabilities of \$471,784,431, and capital and surplus of \$237,567,753. Operations for 2000 reported net income of \$36,078,462.

CMG Mortgage Insurance Group

The CMG mortgage insurance group is comprised of three Wisconsin domiciled mortgage guaranty insurers, including CMG Mortgage Insurance Company (CMG Mortgage), CMG Mortgage Reinsurance Company (CMG Re), and CMG Mortgage Assurance Company (CMG Assurance). Each CMG mortgage guaranty insurer is operated as an independently organized joint venture enterprise, with the capital stock of each respective company jointly owned 50% by CMIC and 50% by PMI Mortgage Insurance Co. CMG Mortgage is a direct writer of mortgage guaranty insurance, and provides coverage for first lien residential mortgage loans originated by credit unions. CMG Re assumes quota share reinsurance coverage of risks written by CMG Mortgage, to enable CMG Mortgage to comply with statutory restrictions on the amount of mortgage guaranty risks that an individual insurer is permitted to retain. CMG Assurance is authorized to insure loans on junior liens and second mortgages.

As of December 31, 2000, the CMG mortgage insurance group's statutory financial statements reported aggregate admitted assets of \$114 million, aggregate liabilities of \$60 million, and capital and surplus of \$54 million. Operations for 2000 reported net income of \$10 million.

MEMBERS Capital Advisors, Inc. (MCA)

MCA is an investment advisor and manager that is registered under the Investment Advisers Act of 1940. MCA is jointly owned 50% by CMIC and 50% by CMLIC, and acts as an investment advisor and portfolio manager for Cuna Mutual. MCA was organized in 1982 under the name Century Investment Management Company, and its name was changed to MEMBERS Capital Advisors, Inc. effective September 21, 2000.

As of December 31, 2000, MCA's audited financial statements reported total assets of \$26,282,470, total liabilities of \$8,682,104, and stockholders equity of \$17,600,366. Operations for 2000 reported net income of \$5,746,477.

Stewart Associates Incorporated (Stewart)

Stewart is an insurance agency formerly named Stewart and Associates, which was purchased by CMIC in 1998. Stewart was organized to maintain the former collateral protection insurance business of Stewart and Associates and to manage the ongoing collateral insurance program of the CUNA Mutual group.

As of December 31, 2000, Stewart's unaudited financial statements reported total assets of \$4,942,988, total liabilities of \$3,112,988, and shareholders equity of \$1,830,000. Operations reported for 2000 did not report a net income or loss.

CUNA Brokerage Services, Inc. (CBS)

CBS is registered with the Securities and Exchange Commission as a broker-dealer, and is a member of National Association of Securities Dealers, Inc. (NASD). CBS markets various financial products primarily to credit union members. CBS-marketed products include mutual funds, unit investment trusts, variable annuities, flexible premium variable life insurance, public limited partnerships, financial planning, and discount brokerage services.

As of December 31, 2000, CBS's audited financial statements reported total assets of \$5,244,903, total liabilities of \$2,022,310, and stockholders equity of \$3,222,593. Operations for 2000 reported net income of \$1,164,029.

CUNA Mutual General Agency of Texas, Inc. (CMGA)

CUNA Mutual General Agency (CMGA), is a Texas managing general agency that produces collateral protection insurance (CPI) issued to credit unions under a fronting arrangement with Old American County Mutual Fire Insurance Company (Old American). The business is written in Old American to satisfy Texas regulatory requirements that CPI business in Texas may be written solely by Texas domiciled insurers. The Old American business produced by CMGA is 100% ceded to CUMIS Insurance Society, Inc.

As of December 31, 2000, CMGA's unaudited financial statements reported total assets of \$734,871, total liabilities of \$253,443, and stockholders equity of \$481,428. Operations for 2000 reported a net loss of \$243,427.

CUNA Mutual Insurance Agency, Inc. (CMIA)

CMIA serves as an insurance brokerage affiliate to provide corporate and personal lines insurance brokerage and agency services.

As of December 31, 2000, CMIA's unaudited financial statements reported total assets of \$11,015,115, total liabilities of \$6,026,176, and stockholders equity of \$4,988,939. Operations for 2000 reported a net loss of \$1,321,043.

CUNA Mutual Mortgage Corporation (CMMC)

CMMC is a Wisconsin domiciled financial services corporation wholly owned by CMIC, and provides mortgage banking and loan services to credit unions. CMMC maintains a servicing portfolio of mortgage loans that it manages and services, and also originates mortgage loans. CMMC was formerly known as CUNA Mortgage Corporation, and its name was changed to the one presently used effective December 17, 1999.

As of December 31, 2000, CMMC's audited financial statements reported total assets of \$75,911,240, total liabilities of \$46,403,588, and total stockholders equity of \$29,507,652. Operations in 2000 reported a net loss of \$4,173,576.

The CUMIS Group, LTD (CUMIS Group)

CUMIS Group is an insurance holding company incorporated under the Canada Business Corporations Act. As of December 31, 2000, CUNA Mutual holds a 63.346% ownership interest in CUMIS Group; Canadian cooperatives and credit unions hold the remaining ownership interest. CUMIS Group, through its subsidiaries CUMIS Life Insurance Company (CUMIS Life), CUMIS General Insurance Company, and Canadian Northern Shield Insurance Company, underwrites, markets and services an array of insurance products that are offered to credit unions and credit union members in Canada. CUMIS Group insurance products include life, accident and sickness, property and casualty, and commercial insurance.

As of December 31, 2000, CUMIS Group's consolidated, audited financial statements reported total assets of Cdn\$464,019,208, total liabilities of Cdn\$402,099,821, and shareholders' equity of Cdn\$62 million. Operations in 2000 reported net income of Cdn\$8 million.

Affiliated Agreements

MEMBERS Life Insurance Company and its affiliates have various intercompany financial and services relationships that are governed by affiliated agreements. A brief summary of significant affiliated agreements pertaining to the company is provided below.

CUNA Mutual and CMLIC Permanent Affiliation

As noted previously in this report, CUNA Mutual and CMLIC are parties to an agreement of permanent affiliation whereby the two companies have unified executive management and corporate governance, and under which the two companies maintain unified operating functions. Pursuant to the permanent affiliation agreement, CUNA Mutual, MLIC and CMLIC provide mutual intercompany services, and their respective applicable direct and indirect expenses are assigned, allocated, or shared in accordance with provisions of the affiliation agreement. The affiliation provides that for certain lines of their respective direct business CUNA Mutual and CMLIC share as equal partners in the net profits of the two respective companies.

Tax Allocation Agreement

Effective January 1, 1987, CUNA Mutual and its affiliates entered into a restated tax allocation agreement for filing federal income tax returns on a consolidated basis. The tax liability of the affiliated group is allocated to individual member companies in accordance with Internal Revenue Service regulations. Each participating affiliate reimburses CUNA Mutual for payment of the affiliate's portion of liability included in the consolidated tax liability, and each respective affiliate receives its pro-rata share of consolidation-basis tax benefits.

Cost-Sharing Agreement

Effective January 1, 1993, CUNA Mutual, MLIC, and CUMIS established a cost-sharing agreement pertaining to allocation of costs paid by CUNA Mutual for administrative functions and services that CUNA Mutual provides to MLIC and CUMIS. Pursuant to the agreement, joint administrative costs are allocated monthly to MLIC and to CUMIS based on mutually agreed upon allocation methods that take into account appropriate time allocations, item counts, number of employees, or special studies.

Billing and Collections Services Agreement

Effective November 1, 2000, CUNA Mutual and its subsidiaries entered into a revised agreement for allocation of billing and collection services that are performed by CUNA Mutual. Services include processing of all billing notices, printing, mailing and distribution of billing notices, maintenance of customer billing and payment history information, processing and validation of payment receipts, daily electronic transfer of funds to the respective company's designated account, automated feed to the general ledger of all due and received premium, and daily and monthly reconciliation of deposit accounts and outstanding bills. Each participating company pays quarterly to CUNA a servicing fee based on mutually agreed upon allocation methods.

Procurement and Disbursement Services Agreement

Effective November 1, 2000, CUNA Mutual and its subsidiaries entered into a revised agreement for allocation of procurement and disbursement services that are performed by CUNA Mutual. Procurement services include maintenance of a company-wide procurement function, central processing of all requests for purchase, negotiation of purchase agreements and pricing, performance of lease/purchase analysis, and coordination of master inventory management. Disbursement services include processing all disbursement requests for general operating expenditures, facilitation of payment by the appropriate participating subsidiary, maintenance of vendor payment and voucher record archives, maintenance of detailed accrual and cash journal entries, and daily account reconciliation. Each participating company pays quarterly to CUNA a servicing fee based on mutually agreed upon allocation methods.

Investment Advisory Agreement

Effective September 8, 1994, CUNA Mutual and its affiliates entered into an investment advisory agreement with MEMBERS Capital Advisors, Inc. (MCA, formerly known as Century Investment Management Co). Under the agreement CUNA Mutual appointed MCA to act as the principal investment advisor and portfolio manager for the management and investment of the invested assets of CUNA Mutual and its respective affiliates. The agreement also appointed MCA as the principal investment advisor and manager of specified trust fund assets that are held by United States Trust Company of New York as Trustee. MCA as advisor agreed to provide continuous professional investment management for the company and its affiliates, and to comply at all times to the policies, directives and guidelines established by the company's board of directors.

Interest Rate Swap Agreement

Effective February 28, 1995, CUNA Mutual and MLIC entered into an interest rate swap agreement. CUNA Mutual and MLIC agreed to swap interest rate returns semi-annually over a five-year period, with interest calculated on the basis of the notional amount of \$200,000,000. MLIC agreed to pay interest at a rate of 7.04% per annum. CUNA Mutual agreed to pay interest at a rate of 7.04% plus any amount over 8.04% or minus any amount under 6.39%, as determined using the index of the five-year treasury constant maturity. In 2000, CUNA Mutual paid to MLIC a net differential of \$220,000. The agreement expired February 28, 2000.

V. REINSURANCE

MEMBERS Life Insurance Company's reinsurance portfolio and strategy are described below. The company's assumed reinsurance program consists of reinsurance assumption of life and annuity business that is written on a direct basis by the affiliated insurer CUNA Mutual Life Insurance Company. The company's ceded reinsurance is comprised solely of immaterial cessions on reinsurance treaties that have been terminated and are in run-off. Each reinsurance contract contained proper insolvency provisions.

Reinsurance assumed by MEMBERS Life Insurance Company from CMLIC equaled 72% of MLIC's total annual premium and annuity considerations in calendar year 2000. The most significant MLIC reinsurance treaties were established as component agreements of the 1990 affiliation agreement between CUNA Mutual and CMLIC whereby the two companies transact affiliated profit sharing on their respective direct business. CUNA Mutual cedes to CMLIC 50% of its individual and group life and AD&D business written on a direct mail basis to credit union members. CMLIC cedes to MEMBERS Life Insurance Company 50% of its non-variable individual life and annuity business written through its agency force. The total net amount assumed by MLIC is limited to a maximum of \$250,000 on any individual life insured.

Reinsurance consideration paid to MLIC by CMLIC equals a 50% portion of CMLIC's net income derived from its ceded insurance business. If CMLIC net premiums for the subject business exceed net expenses, including claims net of reinsurance recoveries, underwriting expenses, taxes excluding federal income taxes, and policyholder dividends, CMLIC pays to MLIC as consideration a 50% share of the net income. If the calculated consideration amount is negative, then its absolute value is paid by MLIC to the ceding company.

In 1990, MEMBERS Life Insurance Company and CMLIC established a trust agreement for the maintenance of the company's assets related to its assumed reinsurance. CMLIC was then a direct writer in the State of New York, whereas MLIC was not licensed in New York. New York regulations required the trust arrangement in order for CMLIC to take credits for interest sensitive life insurance risks ceded to the MEMBERS Life Insurance Company.

Under the trust arrangement, MEMBERS Life Insurance Company maintained certain assets on deposit in the trust for the benefit of CMLIC. The purpose of the trust was to reimburse CMLIC for MLIC's portion of return premiums, surrenders, and losses paid by CMLIC, and to fund an account with CMLIC in an amount at least equal to the amount recorded by CMLIC as a deduction from CMLIC liabilities for policies ceded under the MLIC agreements. CMLIC subsequently withdrew from New York, and the MLIC trust arrangement was terminated effective December 31, 1998.

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported in the December 31, 2000, annual statement to the Commissioner of Insurance. Also included in this section are schedules that reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination."

MEMBERS Life Insurance Company
Assets
As of December 31, 2000

	Ledger Assets	Nonledger Assets	Nonadmitted Assets	Admitted Assets
Bonds	\$450,717,228	\$	\$958,124	\$449,759,104
Stocks:				
Common stocks	33,100		33,100	
Mortgage loans on real estate:				
First liens	45,105,815			45,105,815
Policy loans	5,942,348			5,942,348
Cash	1,389,925			1,389,925
Short-term investments	4,442,823			4,442,823
Receivable for securities	3,053,315			3,053,315
Write-ins for invested assets:				
Margin Deposit	73,133			73,133
Guaranty funds receivable or on deposit	36,978			36,978
Life premiums and annuity considerations deferred and uncollected		6,340,375		6,340,375
Accident and health premiums due and unpaid		2,165	52	2,113
Investment income due and accrued		5,686,730		5,686,730
Receivable from parent, subsidiaries and affiliates	<u>1,364,045</u>	<u> </u>	<u> </u>	<u>1,364,045</u>
 Total Assets	 <u>\$512,158,710</u>	 <u>\$12,029,270</u>	 <u>\$991,276</u>	 <u>\$523,196,704</u>

MEMBERS Life Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2000

Aggregate reserve for life policies and contracts	\$468,181,426
Aggregate reserve for accident and health policies	1,313,159
Supplementary contracts without life contingencies	187,451
Policy and contract claims:	
Life	1,500,698
Accident and health	59,467
Policyholders' dividend and coupon accumulations	116,529
Policyholders' dividends and coupons due and unpaid	1,369
Apportioned for payment to December 31, 2001	1,390,000
Premiums and annuity considerations received in advance	138,460
Liability for premium and other deposit funds:	
Policyholder premiums	263,740
General expenses due or accrued	130,591
Taxes, licenses, and fees due or accrued, excluding federal income taxes	68,000
Federal income taxes due or accrued	841,137
"Cost of collection" on premiums and annuity considerations deferred and uncollected in excess of total loading thereon	1,971,142
Unearned investment income	101,472
Amounts withheld or retained by company as agent or trustee	278,358
Amounts held for agents' account, including agents' credit balances	40,621
Remittances and items not allocated	46,581
Miscellaneous liabilities:	
Asset valuation reserve	2,684,705
Payable to parent, subsidiaries and affiliates	255,256
Payable for securities	2,559,115
Write-ins for liabilities:	
Amounts payable to reinsureds/reinsurers	3,900,010
Reserve for projected investment losses	168,454
Total Liabilities	<u>486,197,741</u>
Common capital stock	5,000,000
Gross paid in and contributed surplus	11,500,000
Unassigned funds (surplus)	<u>20,498,963</u>
Surplus	<u>36,998,963</u>
Total Liabilities, Surplus, and Other Funds	<u>\$523,196,704</u>

MEMBERS Life Insurance Company
Summary of Operations
For the Year 2000

Premiums and annuity considerations	\$33,916,184	
Considerations for supplementary contracts without life contingencies and dividend accumulations	35,570	
Net investment income	38,884,209	
Amortization of interest maintenance reserve	(166,344)	
Commissions and expense allowances on reinsurance ceded	6,347	
Miscellaneous income:		
Administrative service fees	778,245	
Miscellaneous Income	<u>11,614</u>	
Total income items		\$73,465,825
Death benefits	8,748,077	
Matured endowments	1,011,373	
Annuity benefits	8,687,628	
Disability benefits and benefits under accident and health policies	823,660	
Surrender benefits and other funds withdrawals	53,240,197	
Interest on policy or contract funds	154,494	
Payments on supplementary contracts with life contingencies	8,500	
Payments on supplementary contracts without life contingencies and of dividend accumulations	38,363	
Increase in aggregate reserve for life and accident and health policies and contracts	(19,348,296)	
Increase in reserve for supplementary contracts without life contingencies and for dividend and coupon accumulations	<u>23,220</u>	
Subtotal	53,387,216	
Commissions	36,948	
Commissions and expense allowances on reinsurance assumed	7,217,096	
General insurance expenses	1,569,229	
Insurance taxes, licenses, and fees excluding federal income taxes	319,732	
Increase in loading on and cost of collection in excess of loading on deferred and uncollected premiums	<u>(67,768)</u>	
Total deductions		<u>62,462,453</u>
Net gain from operations before dividends to policyholders and federal income taxes		11,003,372
Dividends to policyholders		<u>1,378,585</u>
Net gain from operations after dividends to policyholders and before federal income taxes		9,624,787
Federal income taxes incurred (excluding tax on capital gains)		<u>2,901,210</u>
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)		6,723,577
Net realized capital gains or (losses) less capital gains tax and amount transferred to the IMR		<u>(828,569)</u>
Net Income		<u>\$ 5,895,008</u>

MEMBERS Life Insurance Company
Cash Flow
As of December 31, 2000

Premiums and annuity considerations	\$34,088,579	
Considerations for supplementary contracts without life contingencies and dividend accumulations	35,570	
Net investment income	39,177,385	
Commissions and expense allowances on reinsurance ceded	6,348	
Write-ins for miscellaneous income:		
Administrative Service Fees	778,245	
Miscellaneous Income	<u>11,614</u>	
Total		\$74,097,741
Death benefits	8,462,844	
Matured endowments	1,011,373	
Annuity benefits	8,683,192	
Disability benefits and benefits under accident and health policies	854,925	
Surrender benefits and other fund withdrawals	53,240,197	
Interest on policy or contract funds	159,295	
Payments on supplementary contracts with life contingencies	8,500	
Payments on supplementary contracts without life contingencies and of dividend accumulations	<u>38,363</u>	
Subtotal	72,458,689	
Commissions on premiums, annuity considerations, and deposit type funds	36,949	
Commissions and expense allowances on reinsurance assumed	7,217,096	
General insurance expenses	1,755,644	
Insurance taxes, licenses and fees, excluding federal income taxes	279,344	
Dividends paid to policyholders	1,228,440	
Federal income taxes (excluding tax on capital gains)	<u>3,155,655</u>	
Total deductions		<u>86,131,817</u>
Net cash from operations		\$(12,034,076)
Proceeds from investments sold, matured, or repaid:		
Bonds	304,939,532	
Stocks	8	
Mortgage loans	5,752,150	
Other invested assets	<u>(89,985)</u>	
Total investment proceeds		310,601,705
Cost of investments acquired (long-term only):		
Bonds	293,690,045	
Mortgage loans	2,015,011	
Miscellaneous applications	<u>17,500</u>	
Total investments acquired		295,922,556
Net increase in policy loans and premium notes		<u>419,894</u>

Net cash from investments		14,259,255
Cash provided from financing and miscellaneous sources:		
Other sources	<u>3,134,513</u>	
Total		3,134,513
Cash applied for financing and miscellaneous uses:		
Dividends to stockholders paid	25,000,000	
Other applications	<u>\$ 2,325,541</u>	
Total		<u>\$27,325,541</u>
Net cash from financing and miscellaneous sources		<u>(24,191,028)</u>
Net change in cash and short-term investments		(21,965,849)
Reconciliation		
Cash and short-term investments,		
December 31, 1999		<u>27,798,597</u>
Cash and short-term investments,		
December 31, 2000		<u>\$ 5,832,748</u>

MEMBERS Life Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2000

Assets		\$523,196,704	
Less investment in insurance subsidiaries not in excess of subsidiaries' security surplus		0	
Less liabilities		<u>486,197,741</u>	
Adjusted surplus			\$36,998,963
Annual premium:			
Individual life and health	\$12,444,834		
Factor	<u>15%</u>		
Total		1,866,725	
Group life and health	\$ 5,668,329		
Factor	<u>10%</u>		
Total		\$ 566,833	
Greater of 7.5% of consideration or 2% of reserves for annuities and deposit administration funds		<u>\$ 7,121,832</u>	
Compulsory surplus (subject to a \$2,000,000 minimum)			<u>9,555,390</u>
Compulsory surplus excess			<u>\$27,443,573</u>
Adjusted surplus			\$36,998,963
Security surplus:			
(140% of compulsory surplus, factor reduced 1% for each \$33 million in premium written in excess of \$10 million with a minimum of 110%)			<u>13,377,546</u>
Security surplus excess			<u>\$23,621,417</u>

MEMBERS Life Insurance Company]
Reconciliation and Analysis of Surplus
For the Five-Year Period Ending December 31, 2000

The following schedule is a reconciliation of total surplus during the period under examination as reported by the company in its filed annual statements:

	1996	1997	1998	1999	2000
Surplus, beginning of year	\$47,346,125	\$47,090,300	\$48,759,786	\$53,801,659	\$57,320,281
Net income	(1,277,405)	1,804,624	4,777,320	4,050,996	5,895,008
Change in net unrealized capital gains or (losses)	1,300,000		23,267	43,293	(1,046,373)
Change in nonadmitted assets and related items	9,052	4,821	35	(114)	(990,736)
Change in asset valuation reserve	(372,044)	1,628,099	250,419	(575,553)	889,936
Dividends to stockholders					(25,000,000)
Write-ins for gains and (losses) in surplus:					
Transfer from unassigned funds (surplus) to group life catastrophe					300,000
Transfer from group life catastrophe to unassigned funds (surplus)					(300,000)
Change in reserve for projected investment losses		(90,832)	(9,		(68,454)
Adjustment to ledger assets/liabilities	133,572	(7,218)			699
Amortization of acquisition cost in excess of statutory net asset value		(1,670,001)			
Write off for over/short		(7)			
Adjustment due to change in accounting for compensated absences	(49,000)				
Surplus, end of year	<u>\$47,090,300</u>	<u>\$48,759,786</u>	<u>\$53,801,659</u>	<u>\$57,320,281</u>	<u>\$36,998,963</u>

MEMBERS Life Insurance Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2000

The following is a summary of the company's NAIC Insurance Regulatory Information System (IRIS) results for the period under examination. Exceptional ratios are denoted with asterisks. A discussion of the exceptional ratios is included following the table of IRIS ratios.

	Ratio	1996	1997	1998	1999	2000	
#1	Net change in capital & surplus		-1%	4%	10%	7%	-35% *
#1A	Gross change capital & surplus		-1	4	10	7	-35% *
#2	Net income to total income		-1% *	2%	7%	6%	8%
#4	Adequacy of investment income		136%	137%	132%	145%	147%
#5	Non-admitted to admitted assets		0%	0%	0%	0%	0%
#6	Total real estate & mortgage loans to cash & invested assets		10%	9%	9%	9%	9%
#7	Total affiliated investments to capital & surplus		0%	0%	0%	0%	4%
#8	Surplus relief		-20%	-18%	-13%	-12%	-19%
#9	Change in premium		-36% *	-26% *	-32% *	4%	10%
#10	Change in product mix		4%	2%	4%	2%	1.6%
#11	Change in asset mix		0%	0%	1%	0%	0.6%
#12	Change in reserving ratio		-10%	-8%	-2%	-2%	-5%

The exceptional results for ratios 1 and 1A, net and gross change in capital and surplus, in 2000 was due to the company's payment of a dividend of \$25 million to its parent, CMIC. The dividend paid in 2000 equaled 44% of the company's prior-year surplus, and the 2000 change in surplus exceeded the NAIC ratio analysis threshold for classification as an exceptional value. The dividend paid by the company to CMIC was ultimately paid by CMIC in 2000 to the holding company parent, CUNA Mutual.

The exceptional result for IRIS ratio 2, net income to total income, in 1996, was due to the size of the company's net loss relative to the company's revenues in 1996. The exceptional ratio in 1996 is primarily attributable to high surrender benefits and other fund withdrawals experienced by the company in 1996.

The exceptional results for IRIS ratio 9, change in premium, from 1996 through 1998 were due to decreased writings of individual life and annuity premiums during those years. During the noted three-year period the company experienced an overall trend of flat or declining life insurance premiums. The company's experience was similar to the experience of other insurers in the life insurance industry, as individuals focused on investing in shares of corporate stock securities rather than purchasing traditional life insurance and annuity products.

Growth of MEMBERS Life Insurance Company

Year	Admitted Assets	Liabilities	Surplus
1996	\$638,125,242	\$591,034,942	\$42,090,300
1997	608,641,015	559,881,229	43,759,786
1998	570,790,026	516,988,367	48,801,659
1999	563,091,697	505,771,416	52,320,281
2000	523,196,704	486,197,741	31,998,963

Life Insurance in Force (in Thousands)

Year	Gross Direct And Assumed	Ceded	Net
1996	2,437,198	\$9,059	\$2,428,139
1997	2,192,997	8,284	2,184,713
1998	2,084,338	3,224	2,081,114
1999	1,875,772	2,716	1,873,056
2000	1,797,371	2,313	1,795,058

Accident and Health

Year	Net Premiums Earned	Net Losses Incurred	Commissions Incurred	Other Expenses Incurred	Combined Loss and Expense Ratio
1996	\$5,589,296	\$5,042,590	\$(1,696)	\$1,170,700	111.1%
1997	2,348,562	1,892,261	(1,431)	525,508	102.9%
1998	725,380	252,185	(1,206)	169,669	58.1%
1999	476,933	145,286	(987)	186,738	69.4%
2000	338,910	138,491	(862)	91,354	67.6%

Reconciliation of Surplus per Examination

The examination did not make any adjustments to reported surplus. The examination determined that as of December 31, 2000 the company had policyholder surplus of \$36,998,963.

Examination Reclassifications

	Debit	Credit
Remittances and Items Not Allocated	\$46,575	
Affiliated Liabilities	<u> </u>	<u>\$46,575</u>
Total reclassifications	<u>\$46,575</u>	<u>\$46,575</u>

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were five specific comments and recommendations in the previous examination report. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. **Cost of Collection in Excess of Total Loading**—It is recommended that the company accrue the cost of collection in excess of total loading liability for future annual statements.

Action—Compliance.

2. **Review of Asset Adequacy Testing**—It is recommended that the company correct the interest rates used in future asset adequacy testing.

Action—Compliance.

3. **Acquisition Costs in Excess of Statutory Net Asset Value**—It is recommended that the company charge acquisition costs in excess of statutory net asset value, or goodwill, against surplus, as required under the Wisconsin Office of the Commissioner of Insurance's directive.

Action—Compliance.

4. **Write-in Items for Gains or Losses in Surplus**—It is recommended that the company include all usual and ordinary adjustments to federal income taxes within the income statement, and not as a direct adjustment to surplus. It is further recommended that all other recurring adjustments, such as "over/short write-off," be included above the line in net income, rather than as direct adjustments to surplus on future annual statements.

Action—Compliance.

5. **Custodial Agreements**—It is recommended that the company amend its custodial agreement, by adding sufficient indemnification provisions, stating that the securities shall be promptly replaced or the value of the securities and the value of any loss of rights or privileges resulting from said loss of securities shall be promptly replaced.

Action—Compliance.

Summary of Current Examination Results

Biographical Disclosures

During the years under examination, the company did not provide to the Commissioner biographical disclosures upon the selection or appointment of new officers and directors. Requirement for biographical disclosure is established pursuant to s. 611.54, Wis. Stat., and s. Ins 6.52 (5), Wis. Adm. Code, which provides that an insurer shall disclose biographical information with respect to the appointment or election of any new director, trustee, or officer within fifteen days of the appointment or election. It is recommended that the company provide timely biographical disclosure upon the appointment or election of new officers and directors, in compliance with s. 611.54, Wis. Stat., and s. Ins 6.52 (5), Wis. Adm. Code.

Invested Assets—SVO Compliance

Examination review of the company's bond investments determined that the company did not make all of the required filings of its bond securities with the NAIC Securities Valuation Office (SVO) for SVO valuation purposes. In addition, the company incorrectly reported SVO securities designations in the annual statement Schedule D. The company's SVO filings and financial reporting of securities designations were not in compliance with the requirements established for insurers by the Purposes and Procedures Manual of the NAIC Securities Valuation Office. The examination waived adjustment to non-admit the unfiled securities for purposes of this examination and for the 2001 annual statement filing, based on steps that the company has undertaken to correct its filing and reporting deficiencies.

It is recommended that the company establish the following corrective procedures:

1. All securities held by the company that have not been filed with the SVO and that are not exempt from SVO filing requirements be sold or filed with the SVO within 120 days.
2. All new securities purchased by the company that are not rated by the SVO and that are not exempt from SVO filing requirements be filed with the SVO within 120 days of purchase.

3. The company evaluate at least monthly the SVO valuation status of all investments its invested securities and will make all necessary annual filings to maintain SVO valuations for all securities held that are not exempt from SVO filing requirements.
4. The company provide to the Commissioner copies of all filings made to the SVO.

Loaned Securities Disclosures

The company participates in investment securities lending. Under the securities lending program, securities are loaned through investment intermediaries to third party investors.

Examination review determined that the company properly disclosed in the annual statement general interrogatories the aggregate amount of securities loaned, and the company properly identified in Schedule D the individual loaned securities. However, there are further required disclosures for which the company was not in compliance. Annual statement instructions provide that, for loaned securities, an insurer shall attach a schedule to report transaction information for each security owned at year-end, including dates of transactions, complete description of securities involved, market value data on the dates of the transactions, form of collateral information, and other pertinent information. It is recommended that the company disclose in its statutory annual statements loaned securities supplemental transaction information, in compliance with NAIC Annual Statement Instructions—Life, Accident, and Health.

Financial Reporting—Reinsurance Trust Disclosure

As reported upon in the section of this report captioned “Reinsurance,” from 1990 through 1998, MEMBERS Life Insurance Company and CMLIC maintained a trust arrangement whereby MLIC assets that were related to its assumption of CMLIC direct written risks were held in a trust account for the benefit of CMLIC. Examination review determined that MLIC did not disclose the trust in the General Interrogatories of its statutory annual statements during the years in which the trust existed. The company also made incorrect disclosure of the trust in the Notes to Financial Statements in years subsequent to the termination of the trust.

NAIC annual statement instructions provide that an insurer shall disclose in the General Interrogatories descriptive information regarding company assets that are not under the exclusive control of the company, including assets that are held in a trust. The instructions also provide that an insurer shall identify the individual securities of the company that are not under

the company's exclusive control by reporting designated identifying symbols in Schedule D. The company provided disclosure in its General Interrogatories and Schedule D with regard to loaned securities, but failed to make any disclosure with regard to assets designated for the company's reinsurance trust account.

From 1990 to 1997, during the years in which the trust agreement was in effect, the company's annual statements properly disclosed the existence of the agreement in the Notes to the Financial Statements. The trust agreement was terminated effective December 31, 1998, and was not in effect thereafter. The Notes to the 1998 annual statement failed to disclose the 1998 termination of the trust, and the Notes to the company's 1999, 2000, and 2001 annual statements incorrectly continued to report the existence of the terminated trust arrangement.

It is recommended that the company comply with requirements for reporting in its statutory annual statements all the company's assets that are not under the exclusive control of the company, in conformity with NAIC Annual Statement Instructions-Life, Accident and Health. It is further recommended that the company make correct disclosure in the appropriate schedules and exhibits of its statutory annual statements for any trust agreements to which the company is a contractual party, in conformity with NAIC Annual Statement Instructions-Life, Accident and Health.

Financial Reporting

NAIC Annual statement instructions provide that in Schedule Y, Part 2, an insurer shall report intercompany transactions between affiliated insurers that are not of a routine nature and that equal or exceed one-half of one percent of the largest company's admitted assets. During 2000, CUMIS invested \$15 million in MEMBERS Mutual Funds. MLIC's 2000 annual statement Schedule Y, Part 2, did not disclose this transaction even though it exceeded the threshold for disclosure. It is recommended that the company report in Schedule Y of its statutory annual statements material transactions among affiliated insurers, in conformity with NAIC Annual Statement Instructions—Life, Accident, and Health.

Remittances and Items Not Allocated

MLIC's 2000 annual statement reported a liability of \$46,575 for the account remittances and items not allocated. Under statutory accounting practice, the remittances and items not allocated account is customarily used to report liability for unallocated premium and cash receipts. Unallocated amounts typically consist of premium receipts that are either payment for policies that are not yet issued or are payments that differ from billed and due amounts. The annual statement instructions provide that premium suspense credit balances shall not be offset by unrelated suspense debit balances, and that such debit suspense balances should be reported as a separate asset balance to the extent that they are not offset by related liability items.

The examination determined that the company's reported balance consisted primarily of affiliated transactions in the course of settlement. The examination reclassified \$46,575 of the reported liability to the account "payable to parent, subsidiaries, and affiliates." It is recommended that the company exclude transactions from its remittances and items not allocated account that do not relate to unapplied premium and cash receipts, and that the company report unrelated intercompany balances in the course of settlement in an appropriate intercompany asset or liability accounts, in conformity with NAIC Annual Statement Instructions—Life, Accident, and Health.

VIII. CONCLUSION

MEMBERS Life Insurance Company is a Wisconsin domiciled stock life and health insurer originally organized in 1976. The company is a wholly owned subsidiary of CUNA Mutual Investment Corporation, and ultimate control of the company is held by of CUNA Mutual Insurance Society. CUNA Mutual is a Wisconsin domiciled mutual life and health insurer that provides insurance and financial products and services to credit unions and credit union members.

MEMBERS Life Insurance Company's primary business is ordinary life and annuity reinsurance that it assumes from CUNA Mutual Life Insurance Company. CUNA Mutual and CMLIC established a permanent business affiliation effective July 1, 1990, under which CUNA Mutual and CMLIC have common management, maintain integrated business functions and operations, and share in the net operating profits and losses of their respective direct business. Under the affiliation agreement CUNA Mutual cedes to CMLIC 50% of its individual and group life and AD&D business written on a direct mail basis to credit union members, and CMLIC cedes to MEMBERS Life Insurance Company 50% of its non-variable individual life and annuity business written through its agency force.

The examination determined that the company complied with the recommendations of the previous examination. The current examination made six recommendations and one account reclassification. The examination did not make any adjustment to reported surplus. The examination determined that, as of December 31, 2000, the company had total admitted assets of \$523,196,704, total liabilities of \$486,197,741, and policyholders' surplus of \$36,998,963.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 33 Biographical Disclosures—It is recommended that the company provide timely biographical disclosure upon the appointment or election of new officers and directors, in compliance with s. 611.54, Wis. Stat., and s. Ins. 6.52 (5), Wis. Adm. Code.
2. Page 33 Invested Assets—SVO Compliance—It is recommended that the company establish the following corrective procedures:
 1. All securities held by the company that have not been filed with the SVO and that are not exempt from SVO filing requirements be sold or filed with the SVO within 120 days.
 2. All new securities purchased by the company that are not rated by the SVO and that are not exempt from SVO filing requirements be filed with the SVO within 120 days of purchase.
 3. The company evaluate at least monthly the SVO valuation status of all investments its invested securities and will make all necessary annual filings to maintain SVO valuations for all securities held that are not exempt from SVO filing requirements.
 4. The company provide to the Commissioner copies of all filings made to the SVO.
3. Page 34 Loaned Securities Disclosures—It is recommended that the company disclose in its statutory annual statements loaned securities supplemental transaction information, in compliance with NAIC Annual Statement Instructions—Life, Accident, and Health.
4. Page 35 Financial Reporting—Reinsurance Trust Disclosure—It is recommended that the company comply with requirements for reporting in its statutory annual statements all the company's assets that are not under the exclusive control of the company, in conformity with NAIC Annual Statement Instructions-Life, Accident and Health. It is further recommended that the company make correct disclosure in the appropriate schedules and exhibits of its statutory annual statements for any trust agreements to which the company is a contractual party, in conformity with NAIC Annual Statement Instructions-Life, Accident and Health.
5. Page 35 Financial Reporting—It is recommended that the company report in Schedule Y of its statutory annual statements material transactions among affiliated insurers, in conformity with NAIC Annual Statement Instructions—Life, Accident, and Health.
6. Page 36 Remittances and Items not Allocated—It is recommended that the company exclude transactions from its remittances and items not allocated account that do not relate to unapplied premium and cash receipts, and that the company report unrelated intercompany balances in the course of settlement in an appropriate intercompany asset or liability accounts, in conformity with NAIC Annual Statement Instructions—Life, Accident, and Health.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, state of Wisconsin, participated in the examination:

Name	Title
Richard Harlow Anderson	Insurance Financial Examiner
Jerry C. DeArmond	Reserve Analysis Specialist
Donald Gasser	Insurance Financial Examiner
Russell Lamb	Insurance Financial Examiner
Eleanor Opprecht	Insurance Financial Examiner
Christine Shan	Insurance Financial Examiner

Respectfully submitted,

Thomas E. Rust
Examiner-in-Charge